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MANITOBA MINERAL RESOURCES LTD.

Board of Directors

J. W. CLARKE
President, Burrows Lumber Inc.
Chairman, Manitoba Mineral Resources Ltd.

J. S. ROPER
Retired Mining Engineer

C. T. WILLIAMS
Consulting Mining Engineer

H. D. B. WILSON
Consulting Geologist

C. M. WRIGHT
President, Manitoba Mineral Resources Ltd.

Officers

C. MALCOLM WRIGHT
President

D. NEIL BRIGGS
Vice-President

C. VICKERS
Secretary

Head Office

603 - 491 PORTAGE AVENUE, WINNIPEG, MANITOBA R3B 2E4

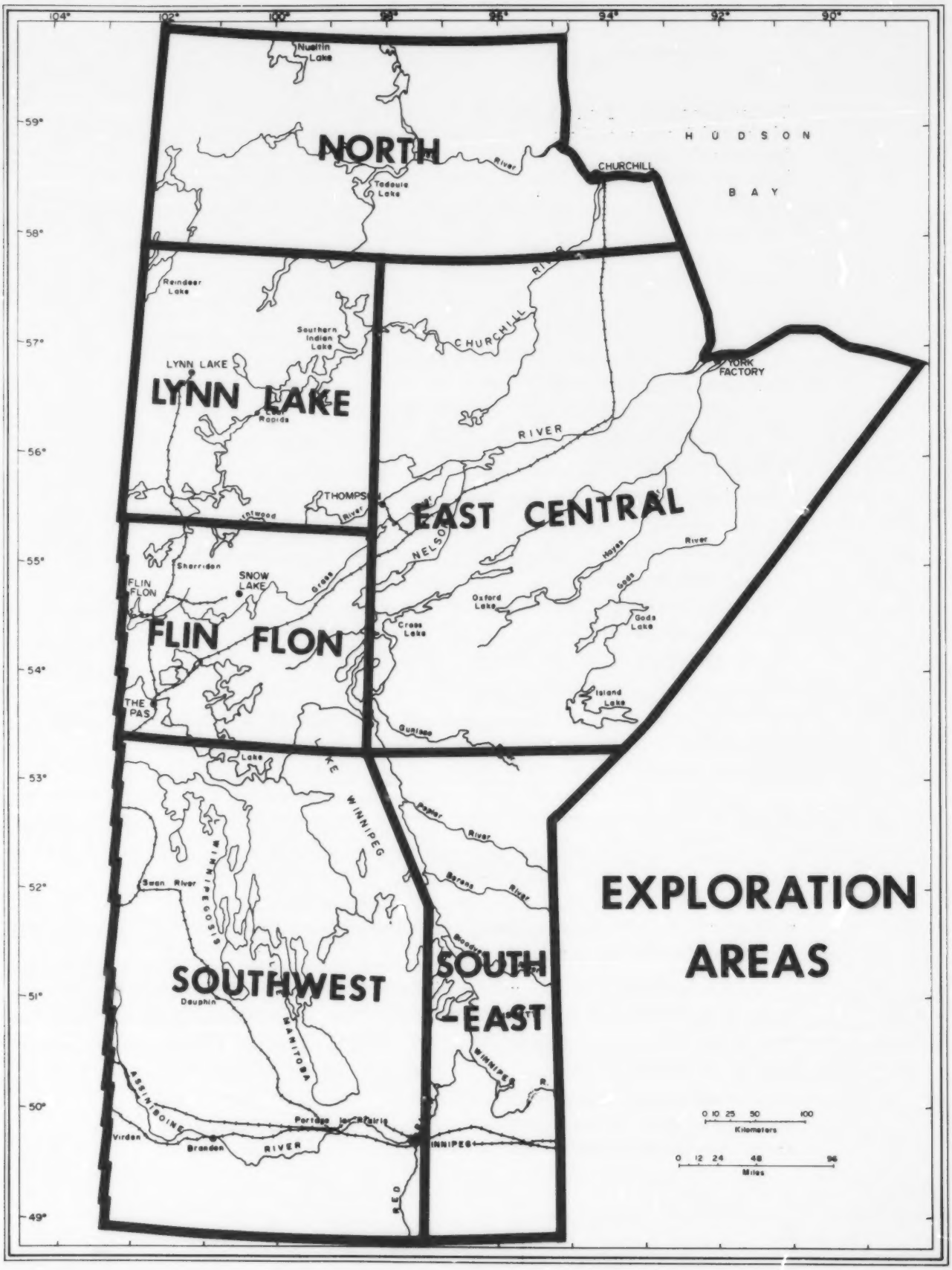
MISSION

The Corporation acts as a catalyst in fostering exploration and development of Manitoba's mineral resources.

Priority is given to exploration and development in mining districts containing communities threatened by declining ore reserves. Work is also undertaken in more remote areas with the objective of finding and developing a new mining district.

Normal business philosophy and procedures are followed internally and externally. The Corporation co-operates and competes with the private sector within the same framework of rules and regulations.

The Corporation conducts its business with regard to maintaining income at a level to ensure its role as a catalyst is self-sustaining.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Southern Indian Lake
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SNOW LAKE
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To The Honourable Harold J. Neufeld
Minister of Energy and Mines
Legislative Building
Winnipeg, Manitoba
R3C 0V8

SIR:

In accordance with the Manitoba Natural Resources Development Act, the Board of Directors herewith submits the Corporation's Annual Report for the year ended December 31, 1990.

FINANCIAL RESULTS

Net income was $1.8 million, a decline of $5.8 million from the record high of $7.6 million reported in 1989.

The decline in earnings resulted from: a reduction in revenue of $1.6 million; an increase in operating expenditures of $2.5 million; a write-down of $2.0 million of the Corporation's investment in Tantalum Mining Corporation of Canada Limited (Tanco); and a decrease in mining taxes of $0.3 million.

Reduced revenue is attributable to a 1.2 million pound decline in copper production from the Trout Lake mine and somewhat lower metal prices. In Canadian currency the Corporation realized average prices of $1.38 per pound copper ($1.41 in 1989), $0.81 per pound zinc ($0.86 in 1989), $440 per ounce gold ($451 in 1989), and $5.27 per ounce silver ($6.27 in 1989).

The Trout Lake mine was responsible for most of the $2.5 million increase in operating expenditures: cash operating costs rose by $2.0 million due to problems with equipment and ground control; whereas amortization expenses rose by $0.4 million, reflecting commissioning of the shaft. Exploration expenditures of $2.5 million were $0.3 million higher than in 1989.

The write-down of $2.0 million of the Corporation's investment in Tanco is considered prudent in the circumstances: there will be no distributions to shareholders until a bank debt is paid off and the future price of tantalum is uncertain.

Capital expenditures, relating mainly to the Trout Lake mine, amounted to $3.1 million and were funded entirely from cash generated internally by the Corporation.

The Corporation maintained a strong balance sheet showing no debt and working capital of $23.6 million at year end. The working capital will be used: to finance new investments in Trout Lake or elsewhere in the Manitoba mining industry; to sustain exploration at normal levels through periods of low metal prices; and to fund accelerated exploration on new discoveries without impacting on normal exploration budgets.

TROUT LAKE

Manitoba Mineral's (MMR) share of ore produced from the Trout Lake mine was 212,169 tons grading 1.73% copper, 6.06% zinc, 0.046 oz/ton gold and 0.54 oz/ton silver. The decline in the copper grade from 2.02% reported in 1989 resulted in a decrease in copper production.

Cash operating costs rose to $55.73 per ton from $45.19 per ton in 1989. Increased unit operating costs reflect higher costs related to equipment repair and ground support.

The Corporation's share of proven ore reserves at the end of the year was 1,611,400 tons, sufficient to sustain operations for 6 years at anticipated production rates. Four new ore lenses were intersected by diamond drill holes approximately 300 meters below the bottom of the shaft toward the end of the year. Exploration of these new lenses will continue in 1991.

The shaft project started in 1987 was completed for a total cost of $29.8 million (MMR share $8.1 million). All ore is now being hoisted to the surface instead of being trucked up the ramp.

TANTALUM MINING CORPORATION

MMR holds a 25% interest in Tantalum Mining Corporation of Canada Limited which produces tantalum concentrates, ceramic grade spodumene and cesium ore from a mine near Lac du Bonnet.

Financial performance was adversely affected by lower than expected tantalum prices and the high value of the Canadian dollar. Tanco reported a loss for its fiscal year ended December 31, 1990.

EXPLORATION

Exploration was conducted on 53 projects. The private sector participated in 41 of the projects: the other 12 were carried by the Corporation for its own account. Total project expenditures, including contributions from the private sector, were $4.1 million of which the Corporation contributed $2.5 million (59%). No significant discoveries were made.

The Corporation's exploration emphasis is shifting from its strong focus on gold in the Lynn Lake area to a more balanced position with increased emphasis on base metal exploration in the Flin Flon area.

PERSONNEL

P. R. Brockington resigned as a director and was replaced as Chairman by J. W. Clarke. The Board extends its sincere appreciation to Mr. Brockington for his contributions in guiding the activities and policies of the Corporation since his election to the Board in 1984.

At the year end the full-time staff numbered thirteen, unchanged from the previous year. The Board wishes to thank the members of the staff for the individual contributions to the activities and results summarized in this report.

On Behalf of the Board of Directors,

C. M. WRIGHT,
President.

JAMES W. CLARKE,
Chairman of the Board.

March 28, 1991

Mining Operations — Trout Lake

The Trout Lake mine, four miles northeast of Flin Flon, is a joint venture owned by Hudson Bay Mining and Smelting Co., Limited (44.0%), Granges Inc. (29.0%) and Manitoba Mineral Resources Ltd. (27.0%). Hudson Bay operates the mine and, under a contract covering the life of the mine, mills the partners' share of ore produced. Copper and zinc concentrates are sold to Hudson Bay under a contract expiring in 1997. Data tabulated below show Manitoba Mineral's 27% share of production and ore reserves.

ORE PRODUCTION

	Tons	Copper %	Zinc %	Gold oz/ton	Silver oz/ton
1990	212,169	1.73	6.06	0.046	0.54
1989	218,466	2.02	5.58	0.051	0.57

PAYABLE METALS PRODUCED

	Copper lbs.	Zinc lbs.	Gold ozs.	Silver ozs.
1990	6,048,245	17,078,574	7,270	66,085
1989	7,297,020	16,599,033	6,958	68,719

PROVEN RESERVES

	Tons	Copper %	Zinc %	Gold oz/ton	Silver oz/ton
December 31, 1990	1,611,400	1.78	5.9	0.043	0.37
December 31, 1989	1,437,400	1.99	5.8	0.045	0.32

Production in 1990 was adversely affected by poor ground conditions in copper-rich areas that resulted in replacement tonnage being extracted from zinc-rich areas.

Payable copper was 1.2 million pounds less than in 1989 due to the lower copper grade of both the ore and the copper concentrates. Payable zinc was 0.5 million pounds greater than in 1989 due to the higher zinc grade of the ore. The increase in payable gold reflects improved recoveries; the decrease in payable silver reflects the lower silver grade of the ore.

Underground exploration continued to be successful. This success combined with a more rigorous economic evaluation resulted in an increase in the proven ore reserve of 174,000 tons, albeit at a lower copper grade, despite the mining of 212,169 tons. Proven reserves are sufficient for 6 years

at anticipated mining rates. The prospect of increasing the indicated life by underground exploration continues to be excellent. Toward the end of the year, four new lenses were intersected approximately 300 meters below the bottom of the shaft. Exploration of these new lenses will continue in 1991.

Cash operating costs rose to $55.73 per ton compared with $45.19 per ton in the previous year. The rise in unit operating costs resulted mainly from: increased repair and maintenance costs including rebuilds of part of the mobile fleet; rentals of equipment required to sustain production while the mine's own equipment was out of service; and increased ground support costs.

The shaft project, started in 1987, was completed at the end of the year at a cost of $29.8 million (MMR share $8.1 million). All ore is now being hoisted to the surface rather than trucked up the ramp.

A water treatment plant was completed at a cost of $1.5 million (MMR share $0.4 million). The plant is needed to maintain mine discharge waters in compliance with environmental standards.

Exploration Operations

The Corporation starts exploration projects that are wholly-owned in the early stages with the expectation that they will attract private sector participation. Conversely, the Corporation participates in worthwhile projects proposed by the private sector.

Exploration activities in the year covered 53 projects with total expenditures of $4,136,046. The Corporation contributed $2,454,797 (59%) — the balance, amounting to $1,681,249, was supplied by the private sector.

Direct expenditures by the Corporation and its joint venture partners are summarized below.

No. of Projects	Type	Expenditures by MMR	Expenditures by Others	Total Expenditures
12	Wholly Owned	$ 873,771	—	$ 873,771
13	Joint Ventures Managed by MMR	1,239,206	$1,059,584	2,298,790
28	Joint Ventures Managed by Others	341,820	621,665	963,485
53		$2,454,797	$1,681,249	$4,136,046

AREAS EXPLORED AND METALS SOUGHT

For ease of reference the Province is divided into a number of exploration areas (see map at front). A summary of Manitoba Mineral's expenditures by area is given in the following table.

Area	No. of Projects	MMR Expenditures	Expenditures % of Total
Lynn Lake	26	$1,358,027	55.3
Flin Flon	26	1,053,639	42.9
Southeast	1	43,131	1.8
	53	$2,454,797	100.0

The distribution of total expenditures by metals sought was: gold 45.6%; copper-zinc 19.8%; and nickel-copper 33.7%. Research on project generation accounted for the remaining 0.9% of expenditures.

NEW PROJECTS

Four new projects were started: two copper-zinc projects in the Flin Flon area and two gold projects in the Lynn Lake area.

NEW AGREEMENTS

A joint venture agreement was signed with Outokumpu Mines Ltd. covering the Corporation's Minago River nickel-copper project southwest of Thompson. Outokumpu has earned a 50% interest in the project. MMR will act as operator during the exploration phase of the project.

The Corporation entered into an agreement with Mid-North Resources Limited concerning Mid-North's Beaucage Lake gold property in the Lynn Lake area. MMR can earn an interest in the property by a combination of cash payments and exploration expenditures.

Agreements were reached with Granges Inc. (Eldon Lake joint venture) and with Hudson Bay Exploration and Development Company Limited (Krug Lake joint venture) to increase the property holdings of these joint ventures by adding certain claims wholly owned by MMR.

A letter of intent was signed by MMR, Granges Inc. and Hudson Bay Exploration and Development Company Limited to form a joint venture on Hudson Bay's Bur property near Snow Lake. MMR and Granges can each earn a 25% interest by funding exploration on the property. MMR will initially act as operator.

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with generally accepted accounting principles. In management's opinion the financial statements have been properly prepared and of necessity include some amounts based upon management's best estimates and judgements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the external auditor is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The auditor's report outlines the scope of his examination and his opinion.

The Audit Committee of the Board has met with representatives of the external auditor and management to review the financial statements before recommending approval by the Board. The Board has reviewed the annual report and approved its content and authorized its publication.

C. M. Wright

C. MALCOLM WRIGHT, Ph.D.
President

C. Vickers

CYRIL VICKERS, C.A.
Controller

AUDITOR'S REPORT

To the Shareholders of Manitoba Mineral Resources Ltd.

We have audited the balance sheet of Manitoba Mineral Resources Ltd. as at December 31, 1990 and the statements of operations and retained earnings and changes in cash resources for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Manitoba Mineral Resources Ltd. as at December 31, 1990 and the results of its operations and the changes in its cash resources for the year then ended in accordance with the accounting policies stated in Note 3 to the financial statements.

F. H. JACKSON, CA
Provincial Auditor

February 22, 1991
Winnipeg, Manitoba

MANITOBA MINERAL RESOURCES LTD.

BALANCE SHEET

as at December 31, 1990

(with comparative figures at December 31, 1989)

	1990	1989
	(in thousands)	
Current Assets:		
Cash — in bank	$ 32	$ 34
— in trust with the Minister of Finance	20,423	12,610
	20,455	12,644
Settlements and accounts receivable [Notes 3(b) and 5]	2,018	1,679
Loan receivable (Note 6)	—	7,517
Accrued interest receivable	1,175	585
Prepaid expenses	957	659
Total current assets	24,605	23,084
Deduct:		
Current Liabilities:		
Accounts payable	1,037	924
Working Capital	23,568	22,160
Add:		
Investment in Tanco (Note 7)	1	2,009
Fixed assets, net [Notes 3(c) and 8]	10,055	7,630
Net assets	$ 33,624	$ 31,799

The accompanying notes are an integral part of these financial statements.

	1990	1989
	(in thousands)	
Shareholder's Equity:		
Capital stock (Note 1):		
Authorized — unlimited number of shares without par value for unlimited consideration		
Issued and fully paid — 1,733,905 shares	$ 17,339	$ 17,339
Retained earnings	16,285	14,460
Total shareholder's equity	$ 33,624	$ 31,799

Approved by the Board:

Director

Director

The accompanying notes are an integral part of these financial statements.

MANITOBA MINERAL RESOURCES LTD.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the year ended December 31, 1990

(with comparative figures for the year ended December 31, 1989)

	1990	1989
	(in thousands)	
Income:		
Sale of concentrates from Trout Lake mine	$ 16,420	$ 18,260
Interest	2,686	2,560
Other	187	107
	19,293	20,927
Expenses:		
Administration	594	508
Depreciation and amortization	711	295
Exploration:		
Wholly-owned ventures	874	993
Joint ventures (Note 9)	1,581	1,209
Taxes (Note 11)	(104)	124
Trout Lake mine operations	11,824	9,873
Write-down of investment (Note 7)	2,008	—
	17,488	13,002
Net income before mining tax	1,805	7,925
Mining tax	(20)	310
Net income	1,825	7,615
Retained earnings, beginning of year	14,460	6,845
Retained earnings, end of year	$ 16,285	$ 14,460

The accompanying notes are an integral part of these financial statements.

MANITOBA MINERAL RESOURCES LTD.

STATEMENT OF CHANGES IN CASH RESOURCES

for the year ended December 31, 1990

(with comparative figures for the year ended December 31, 1989)

	1990	1989
	(in thousands)	
Cash provided by (used for):		
Operating activities:		
Net income	$ 1,825	$ 7,615
Items not involving cash		
Depreciation and amortization	711	295
Write-down of investment	2,008	—
	4,544	7,910
Changes in non-cash working capital balances:		
Settlements and accounts receivable	(340)	901
Loan receivable	7,517	—
Accrued interest receivable	(590)	(234)
Prepaid expenses	(298)	(199)
Accounts payable	113	486
	6,402	954
	10,946	8,864
Investment activities:		
Investment	—	(169)
Fixed asset acquisitions	(3,135)	(3,080)
	(3,135)	(3,249)
Increase in cash	7,811	5,615
Cash, beginning of year	12,644	7,029
Cash, end of year	$ 20,455	$ 12,644

The accompanying notes are an integral part of these financial statements.

MANITOBA MINERAL RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 1990

1. *Status of the Corporation*

Manitoba Mineral Resources Ltd. is a Crown corporation established under The Manitoba Natural Resources Development Act and incorporated under The Manitoba Corporations Act. All of the issued shares are held by the Government of the Province of Manitoba. The Corporation is authorized to issue an unlimited number of common shares for an unlimited maximum consideration.

2. *Nature of the Operations*

The Corporation undertakes exploration for minerals in the Province of Manitoba through wholly-owned ventures and joint ventures.

The Corporation also maintains an interest in the development, mining and processing of ore from the Trout Lake mine and the sale of concentrates. This activity is further explained in Note 4.

3. *Significant Accounting Policies*

(a) Accounting basis

The financial statements have been prepared in accordance with generally accepted accounting principles.

(b) Settlements receivable

The Corporation has contracts with Hudson Bay Mining and Smelting Co., Limited for the sale of the Corporation's concentrates. Under the terms of the contracts, the concentrates are deemed to be sold at the time of delivery of ore to the mill. The settlements receivable on sales of concentrates are recorded at the estimated net realizable value.

(c) Fixed assets and depreciation and amortization

(i) Field and office equipment and vehicles are recorded at cost and are depreciated at various rates from 20% to 30% on a straight-line basis.

(ii) Exploration costs are expensed as incurred. Costs associated with bringing a mining property into production are capitalized and then amortized by the unit of production method based on proven reserves.

4. *Trout Lake Mine*

The Trout Lake mine is an unincorporated joint venture in which the Corporation has a 27% interest, Hudson Bay Mining and Smelting Co., Limited has 44% and Granges Inc. has 29%. The joint venturers take the ore produced in proportion to their interests and are individually responsible for processing the ore and sale of the resulting concentrates.

5. *Settlements and Accounts Receivable*

	1990	1989
	(in thousands)	
Settlements receivable on sales of Trout Lake mine concentrates [Note 3(b)]	$ 1,746	$ 1,615
Accounts receivable	272	64
	$ 2,018	$ 1,679

6. *Loan Receivable*

In 1988, the Corporation sold its rights to participate in the Callinan mine for $7,516,820. This amount was received in four quarterly installments in 1990.

7. *Investment*

The investment in Tantalum Mining Corporation of Canada Limited (Tanco) comprised the following at December 31, 1990:

	1990	1989
	(in thousands)	
250,000 Class C shares representing 25% of the issued and outstanding shares and 25% of a 5% income debenture	$ 723	$ 723
Shareholder's loan, including accrued interest	1,286	1,286
	2,009	2,009
Less write-down of investment	2,008	—
	$ 1	$ 2,009

In recognition of the decline in value of the non-producing investment in Tanco, Manitoba Mineral Resources Ltd. has written down the investment to a nominal value of $1,000. No interest was accrued for 1990.

8. Fixed Assets, Net

	(in thousands)			
	Cost	Accumulated Depreciation and Amortization	1990 Net Book Value	1989 Net Book Value
Trout Lake mine				
Development	$ 810	$ 594	$ 216	$ 251
Equipment	2,526	749	1,777	1,299
Shaft	8,058	461	7,597	5,909
Waste water treatment	405	15	390	106
	11,799	1,819	9,980	7,565
Field equipment	176	151	25	33
Office equipment	114	64	50	32
Vehicles	23	23	—	—
	$ 12,112	$ 2,057	$ 10,055	$ 7,630

9. Exploration Expenses — Joint Ventures

	1990	1989
	(in thousands)	
Joint ventures operated by Manitoba Mineral Resources Ltd.	$ 2,299	$ 1,089
Deduct: recoveries from joint venturers	1,060	411
	1,239	678
Joint ventures Operated by others	342	531
	$ 1,581	$ 1,209

10. Employee Pension Plan

Under the terms of the Corporation's pension plan, employee contributions are matched by the Corporation and these amounts are contributed to a defined contribution pension plan. As a result, there are no unfunded plan liabilities and no outstanding corporate obligations.

11. Taxes

During the year ended December 31, 1990, the Corporation paid $4,443 in Health and Post Secondary Education Tax. The Corporation also received $108,690 in net refunds from its Corporation Capital Taxes.

12. *Imputed Interest Cost Information*

The following information is presented in accordance with a request by the Minister of Finance of the Government of the Province of Manitoba.

The annual carrying cost to the Government, for its investment of $17,339,005 in share capital of the Corporation during the year as shown in the Public Accounts, calculated at the weighted average interest rate of 10.06% paid by the Government in respect of its debt for the fiscal year ended March 31, 1990 is $1,837,935.

MANITOBA MINERAL RESOURCES LTD.

SUPPLEMENTARY FINANCIAL INFORMATION

FIVE YEAR FINANCIAL SUMMARY (UNAUDITED)

(thousands of dollars)

	1990	1989	1988	1987	1986
Balance Sheet					
Current Assets	$24,605	$23,084	$10,420	$ 6,662	$ 4,611
Current Liabilities	1,037	924	438	400	236
Working Capital	23,568	22,160	9,982	6,262	4,375
Loan	—	—	7,517	—	—
Investment	1	2,009	1,840	—	—
Fixed assets, net	10,055	7,630	4,845	3,407	1,355
Capital employed	33,624	31,799	24,184	9,669	5,730
Capital	17,339	17,339	17,339	7,400	7,400
Retained earnings (deficit)	16,285	14,460	6,845	2,269	(1,670)
Shareholder's equity	$33,624	$31,799	$24,184	$ 9,669	$ 5,730
Operations					
Income					
Sale of concentrates	$16,420	$18,260	$16,205	$12,327	$ 8,721
Other	2,873	2,667	878	341	287
	19,293	20,927	17,083	12,668	9,008
Expenses					
Administration	594	508	506	336	312
Depreciation	711	295	296	238	93
Exploration	2,455	2,202	3,970	2,350	2,651
Taxes	(124)	434	99	33	21
Trout Lake mine	11,824	9,873	7,636	5,772	4,860
Write-down investment	2,008	—	—	—	—
	17,468	13,312	12,507	8,729	7,937
Net Income	$ 1,825	$ 7,615	$ 4,576	$ 3,939	$ 1,071
Realized Metal Prices Canadian $					
Copper, ¢/lb	138.44	140.75	143.88	111.38	83.01
Zinc, ¢/lb	80.54	86.18	69.60	51.48	52.08
Gold, $/oz	439.57	450.99	527.39	593.89	523.37
Silver, $/oz	5.27	6.27	7.96	7.57	7.57